

## Research and development tax incentive

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/>)
- Last modified: 23 Jun 2017
- QC 24589

The Research and development (R&D) tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. It has two core components:

- a refundable tax offset for certain eligible entities whose aggregated turnover is less than \$20 million
- a non-refundable tax offset for all other eligible entities.

The R&D tax incentive replaced the R&D tax concession from 1 July 2011, and applies differently from the concession.

R&D claims for income years starting before 1 July 2011 may be eligible for the [R&D tax concession \(/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/\)](/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/).

Use the links to find out more about the R & D tax incentive:

- [About the program \(/business/research-and-development-tax-incentive/about-the-program\)](/business/research-and-development-tax-incentive/about-the-program)
- [Eligibility \(/business/research-and-development-tax-incentive/eligibility\)](/business/research-and-development-tax-incentive/eligibility)
- [Registering \(/business/research-and-development-tax-incentive/registering\)](/business/research-and-development-tax-incentive/registering)
- [Adjustments \(/business/research-and-development-tax-incentive/adjustments\)](/business/research-and-development-tax-incentive/adjustments)
- [Claiming the tax offset \(/business/research-and-development-tax-incentive/claiming-the-tax-offset\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset)
- [Correcting mistakes and disputing decisions \(/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions\)](/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions)
- [Getting help \(/business/research-and-development-tax-incentive/getting-help\)](/business/research-and-development-tax-incentive/getting-help)
- [Helping you to get it right \(/business/research-and-development-tax-incentive/helping-you-to-get-it-right\)](/business/research-and-development-tax-incentive/helping-you-to-get-it-right)
- [Contact us \(/business/research-and-development-tax-incentive/contact-us\)](/business/research-and-development-tax-incentive/contact-us)
- [Checklist for claiming the Research and development tax incentive \(/business/research-and-development-tax-incentive/checklist-for-claiming-the-r-d-tax-incentive\)](/business/research-and-development-tax-incentive/checklist-for-claiming-the-r-d-tax-incentive)

### See also:

- [Transition from the R&D tax concession to the R&D tax incentive \(/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/\)](/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/)

## About the program

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/About-the-program/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/About-the-program/>)
- Last modified: 23 Jun 2017
- QC 24590

The Research and development (R&D) tax incentive replaced the R&D tax concession from 1 July 2011. It provides targeted R&D tax offsets designed to encourage more companies to engage in R&D. The incentive has two core components. Entities engaged in R&D may be eligible for:

- a 43.5% refundable tax offset for eligible entities with an aggregated turnover of less than \$20 million per annum, provided they are not controlled by income tax exempt entities

- a 38.5% non-refundable tax offset for all other eligible entities (entities may be able to carry forward unused offset amounts to future income years).

The rate of the R&D tax offset is reduced to the company tax rate for that portion of an entity's notional R&D deductions that exceed \$100 million for an income year. This change applies to assessments for income years starting on or after 1 July 2014 and before 1 July 2024.

The R&D tax incentive aims to boost competitiveness and improve productivity across the Australian economy by:

- encouraging industry to conduct R&D that may not otherwise have been conducted
- improving the incentive for smaller firms to undertake R&D.
- providing business with more predictable, less complex support

The ATO and the Department of Industry, Innovation and Science (on behalf of Innovation and Science Australia) jointly administer the R&D tax incentive. Your R&D activities must be registered with the Department of Industry, Innovation and Science before the tax offset is claimed, and we determine if the expenditure claimed in your tax return for your R&D activities is eligible for the tax offset.

**See also:**

- [Refundable and non-refundable tax offsets \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/\)](/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/)
- [Transition from the R&D tax concession to the R&D tax incentive \(/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/\)](/Business/Research-and-development-tax-concession/In-detail/Transition-a-R-D-tax-concession-to-incentive/)

## Eligibility

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/>)
- Last modified: 01 Mar 2016
- QC 24591

You assess for yourself whether or not your entity is eligible to register R&D activities and claim R&D tax offsets in any given year.

Broadly speaking, your eligibility to claim R&D tax offsets will depend on whether or not you are an R&D entity and, if you are, whether or not you have incurred notional deductions of at least \$20,000 on eligible R&D activities.

**Find out about:**

- [Eligible entities \(/business/research-and-development-tax-incentive/eligibility/eligible-entities/\)](/business/research-and-development-tax-incentive/eligibility/eligible-entities/)
- [Eligible activities \(/business/research-and-development-tax-incentive/eligibility/eligible-activities/\)](/business/research-and-development-tax-incentive/eligibility/eligible-activities/)
- [Eligible notional deductions \(/business/research-and-development-tax-incentive/eligibility/eligible-notional-deductions/\)](/business/research-and-development-tax-incentive/eligibility/eligible-notional-deductions/)

## Eligible entities

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-entities/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-entities/>)
- Last modified: 26 Jun 2017
- QC 24592

You can only claim an R&D tax offset if you are an R&D entity. You are an R&D entity if you are a corporation that is any of the following:

- incorporated under an Australian law
- incorporated under a foreign law but an Australian resident for income tax purposes
- incorporated under a foreign law and you are both

- o a resident of a country with which Australia has a double tax agreement that includes a definition of 'permanent establishment'; and
- o carrying on business in Australia through a permanent establishment as defined in the double tax agreement.

You are not eligible for an R&D tax offset if you are:

- an individual
- a corporate limited partnership
- an exempt entity (where your entire income is exempt from income tax)
- a trust (with the exception of a public trading trust with a corporate trustee).
- If you are an R&D entity, you may also need to consider the special rules applied to consolidated groups and R&D partnerships. Other conditions may also apply, depending on whom the R&D activities are being conducted for.

## Consolidated groups

There are special rules to consider if you are a member of a consolidated group or a multiple entry consolidated (MEC) group.

If you are the head company of a consolidated group or MEC group, your subsidiary members are treated as part of you (the head company) for as long as they remain part of the consolidated or MEC group for income tax purposes. Therefore, the R&D tax incentive applies to your consolidated group or MEC group as if it is a single entity conducting all R&D activities within the group. This means only the head company of the group should register for, and claim, the tax incentive for these R&D activities.

## R&D partnerships

Special rules also apply if you are a partner in an R&D partnership. An R&D partnership is one where each partner meets the definition of an R&D entity.

The partnership itself is not eligible to claim the R&D tax incentive for the R&D activities it undertakes because it is not an R&D entity. However, the **partners** may be able to claim for R&D activities the partnership has undertaken.

If you are a partner in an R&D partnership, you should register your R&D activities with the Department of Industry, Innovation and Science prior to making a claim.

## Who R&D activities are conducted for

In most cases, you can only claim an R&D tax offset for expenditure on R&D activities conducted for you rather than for another entity.

Working out for whom the R&D activities are conducted involves determining who receives the major benefit from carrying out the activities (for example, who owns the results of the activities).

Usually, you won't be able to claim for expenditure on R&D activities you conducted to a significant extent for another entity. However, provided all other eligibility requirements are met, the entity receiving the major benefit from the R&D activities may be able to claim these amounts.

If you meet certain conditions, you may also qualify for an R&D tax offset if:

- your R&D activities are conducted for an associated foreign corporation that is a resident of a country with which Australia has a comprehensive double tax agreement; or
- you are a foreign corporation carrying on your business through a permanent establishment in Australia and the R&D activities are conducted for you and not for the permanent establishment.

### See also:

- [Who can claim \(/Business/Research-and-development-tax-incentive/In-detail/Guides/Who-can-claim/\)](https://www.ato.gov.au/Business/Research-and-development-tax-incentive/In-detail/Guides/Who-can-claim/)

## Eligible activities

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-activities/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-activities/>)
- Last modified: 26 Jun 2017

- QC 24593

Your eligibility to claim the R&D tax offset will also depend on where you are conducting your R&D activities and, importantly, what those activities are.

### Where you are conducting your R&D activities

Generally, only R&D activities conducted in Australia qualify for the R&D tax incentive. However, R&D activities conducted overseas also qualify if Innovation and Science Australia makes a finding that your activities meet the conditions specified in section 28D of the *Industry Research and Development Act 1986*. More information can be found on the [Department of Industry, Innovation and Science's website \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information). Research and development activities must meet certain criteria to be eligible for the R&D tax incentive: they must be classified as either core R&D activities or supporting R&D activities.

### Core R&D activities

Core R&D activities are experimental activities:

- whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience, but can only be determined by applying a systematic progression of work that
  - is based on principles of established science; and
  - proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions
- that are conducted for the purpose of generating new knowledge (including about creating new knowledge or improved materials, products, devices, processes or services).

Some types of activities are specifically excluded from being core R&D activities.

Find out more:

- Refer to the core R&D activity exclusions list on the [Department of Industry, Innovation and Science's website \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility).

### Supporting R&D activities

A supporting activity is one that is directly related to core R&D activities or, for certain activities, has been undertaken for the dominant purpose of supporting core R&D activities. Activities that must satisfy the dominant purpose requirement are those that produce - or are directly related to producing - goods or services; or are excluded from being core R&D activities.

For more detailed information about core R&D activities and supporting R&D activities, refer to the [Department of Industry, Innovation and Science \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility).

## Eligible notional deductions

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-notional-deductions/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Eligibility/Eligible-notional-deductions/>)
- Last modified: 01 Mar 2016
- QC 24594

You may be entitled to an R&D tax offset if your total notional deductions for an income year are at least \$20,000.

If your total notional deductions are less than \$20,000, you will only be able to obtain the R&D tax offset for:

- expenditure incurred to a Research Service Provider (RSP) for services within a research field for which the RSP is registered under the IR&D Act, where that RSP isn't an associate of the R&D entity
- expenditure incurred as a monetary contribution under the Co-operative Research Centre (CRC) program.

Before making a claim for the R&D tax incentive, you need to determine whether your expenditure is eligible or ineligible under the R&D incentive.

### Eligible expenditure

If you are an R&D entity your notional deductions may be for:

- expenditure incurred on R&D activities, including expenditure on overseas activities covered by an advance finding from Innovation Australia, amounts paid to associates and expenditure to an RSP
- the decline in value of assets used for conducting R&D activities (including R&D partnership assets)
- balancing adjustments for assets used only for conducting R&D activities (including R&D partnership assets)
- expenditure in relation to goods and materials transformed or processed during R&D activities to produce marketable products (feedstock expenditure)
- monetary contributions under the CRC program.

You are entitled to a notional R&D deduction in relation to expenditure described above to the extent that:

- your expenditure is of a kind eligible for the R&D tax incentive
- you incur expenditure during the income year (other than an amount you incur to an associate but do not pay until a later income year) on one or more registered R&D activities.

As a result, the general rule is that expenditure on R&D activities is claimable in the income year it is incurred. The exceptions to this rule are when:

- an amount of expenditure is incurred but not paid to an associate
- the prepayment rules apply in relation to expenditure for services to be provided over a period.
- Eligible expenditure on your R&D activities must be claimed under the R&D tax incentive. If you choose not to claim eligible expenditure under the R&D tax incentive, you cannot claim it elsewhere in your tax return. This is different to the former R&D tax concession, where you could choose to claim an amount under another deduction provision.

## Ineligible expenditure

You cannot notionally deduct the following types of expenditure under the R&D tax incentive:

- interest expenditure (within the meaning of interest in the withholding tax rules)
- expenditure that is not at risk
- core technology expenditure
- expenditure included in the cost of a depreciating asset (decline in value notional deductions may apply however)
- expenditure incurred to acquire or construct a building (or part of a building or an extension, alteration or improvement to a building).

These types of expenditure do not warrant the enhanced tax benefits available under the R&D tax offsets. However, they should be considered under the normal deduction provisions of the income tax law because you may still be able to deduct these amounts from your assessable income.

### See also:

- [Research and development tax incentive - amounts you can claim \(/Business/Research-and-development-tax-incentive/In-detail/Guides/Amounts-you-can-claim/\)](https://www.ato.gov.au/Business/Research-and-development-tax-incentive/In-detail/Guides/Amounts-you-can-claim/) ([/Business/Research-and-development-tax-incentive/In-detail/Guides/Who-can-claim/](https://www.ato.gov.au/Business/Research-and-development-tax-incentive/In-detail/Guides/Who-can-claim/))

## Registering

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Registering/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Registering/>)
- Last modified: 26 Jun 2017
- QC 24595

If your company is an R&D entity and you want to claim an R&D tax offset in your company's income tax return, you must first register your R&D activities with the Department of Industry, Innovation and Science (who act on behalf of Innovation and Science Australia). You must register your R&D activities:

- for every income year you want to claim the offset
- within 10 months of the end of your company's income year
- prior to claiming the R&D tax offset in your company income tax return.

Although the R&D tax incentive replaced the R&D tax concession for activities and expenditure in income years beginning on or after 1 July 2011, the R&D tax concession still applies to activities and expenditure in income years that commenced before 1 July 2011.

Research Service Providers (RSPs) must also register annually with the Department of Industry, Innovation and Science.

More information about registering, including requesting an advance finding, and the special arrangements for registering R&D activities performed by members of consolidated groups, can be found on the [Department of Industry, Innovation and Science website](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility>) .

## Adjustments

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Adjustments/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Adjustments/>)
- Last modified: 01 Mar 2016
- QC 24596

You may need to make adjustments to your income tax return if you have received a government recoupment, your R&D activities have produced either marketable products or products that have been applied to your own use, or you are registered for GST.

### Find out about:

- [Clawback adjustments](#)
- [Feedstock adjustments](#)
- [If you are registered for GST](#)

### Clawback Adjustments

If you are eligible for the R&D tax incentive and you receive a government recoupment (such as a government grant or reimbursement) that relates to expenditure that is eligible for the R&D tax incentive, clawback applies.

Clawback does not decrease the grant or offset you receive; rather, it increases the income tax you are liable to pay on the recoupment. This income tax increase is called a 'clawback adjustment'.

A clawback adjustment arises where during an income year, you either receive or are entitled to receive a recoupment from an Australian government agency, or a state or territory body, and the following applies:

- the recoupment (such as a reimbursement) relates to expenditure incurred on certain activities or the recoupment (such as a grant) requires expenditure to either be or have been incurred on certain activities
- you are eligible for the R&D tax incentive in relation to that expenditure (or decline in value notional deductions where the expenditure was for a depreciating asset) used in those activities.

### See also:

- [Research and development tax incentive - clawback adjustments \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Clawback-adjustment/\)](#)

### Feedstock Adjustments

A feedstock adjustment is an amount you include in your assessable income. It applies when you obtain an R&D tax incentive offset for your feedstock expenditure incurred on R&D activities, where those activities produce either marketable products that you supply to someone else or products you apply to your own use.

The feedstock adjustment applies to any of the following:

- expenditure on goods or materials (feedstock inputs) that are transformed or processed during R&D activities in producing one or more tangible products (feedstock outputs)
- expenditure on energy that is input directly into that transformation or processing
- the decline in value of assets used in acquiring or producing the feedstock inputs.

The feedstock provisions apply to both core R&D activities and supporting R&D activities that transform or process feedstock inputs. The provisions are not confined to mass production activities.

Where a feedstock adjustment is triggered, you must include an amount in your assessable income. This may be in the current or in a future income year, depending on when the output is sold or applied.

### See also:

- [Research and development tax incentive - feedstock adjustments \(/Business/Research-and-development-tax-incentive/In-detail/Factsheets/Feedstock-adjustments/\)](/Business/Research-and-development-tax-incentive/In-detail/Factsheets/Feedstock-adjustments/)

## If you are registered for GST

If you are registered for GST, you can claim a GST input tax credit in relation to your R&D expenditure. The amount of this input tax credit is excluded from your calculation of notional deductions. If you are not registered for GST and hence not entitled to claim input tax credits, this exclusion does not apply.

## Claiming the tax offset

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/>)
- Last modified: 01 Mar 2016
- QC 24599

If you are conducting research and development (R&D) activities, you may be eligible to claim an R&D tax offset under the R&D tax incentive.

You should assess for yourself whether or not you and the activities you are conducting qualify for a claim under the R&D tax incentive. To help you do this, we have set out the six steps you need to take to work out if you can claim and, if so, how much.

Remember that you must keep accurate records. Not only does this make good business sense, it's also the law. If you plan on using a tax agent or R&D consultant to help you lodge your returns or complete your forms, you need to make sure they are registered.

### Find out about:

- [Self-assessment \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/self-assessment/\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/self-assessment/)
- [Steps to claiming the tax offset \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/)
- [Keeping records \(/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Keeping-records/\)](/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Keeping-records/)
- [Using a tax agent or R&D consultant \(/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Using-a-tax-agent-or-R-D-consultant/\)](/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Using-a-tax-agent-or-R-D-consultant/)

## Self-assessment

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Self-assessment/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Self-assessment/>)
- Last modified: 26 Jun 2017
- QC 24600

The R&D tax incentive operates on a self assessment basis: that is, if you are an R&D entity, you should assess for yourself whether or not the R&D activities you are conducting - and the amounts that you wish to claim - are eligible for the R&D tax incentive. This includes ensuring that you have firstly registered your R&D activities with the Department of Industry, Innovation and Science.

You must show all your assessable income and claim only R&D tax offsets to which you are entitled on your annual income tax return. The essence of self-assessment is that the details put on your tax return are usually accepted without query prior to an assessment issuing. However, even though we may initially accept the claims in your tax return, we can later ask you to provide the records and information you used to complete your tax return.

You are responsible for proving the claims you have made in your company tax return and R&D tax incentive schedule. Your company records will be crucial in substantiating your claims. When you sign your tax return you are taking responsibility for the claims you are making. We assume that you have completed your tax return in good faith. If you are aware that your return is incorrect, you must contact

us as soon as possible to correct the error.

For information about eligibility of R&D activities and registration for the R&D tax incentive, refer to [the Department of Industry, Innovation and Science website \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility).

## Steps to claiming the tax offset

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/>)
- Last modified: 01 Mar 2016
- QC 24601

These six steps will help you to work out if you can claim an R&D tax offset, which offset you can claim and the amount you can claim. They also explain how you lodge a claim for the offset:

- [Step 1 - Check that you meet the four initial eligibility requirements \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-1---check-that-you-meet-the-initial-eligibility-requirements\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-1---check-that-you-meet-the-initial-eligibility-requirements)
- [Step 2 - Work out if you are controlled by any exempt entities \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-2---work-out-if-you-are-controlled-by-any-exempt-entities\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-2---work-out-if-you-are-controlled-by-any-exempt-entities)
- [Step 3 - Calculate your aggregated turnover \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-3---calculate-your-aggregated-turnover\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-3---calculate-your-aggregated-turnover)
- [Step 4 - Work out which tax offset you can claim \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim)
- [Step 5 - Calculate your tax offset \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-5---calculate-your-tax-offset\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-5---calculate-your-tax-offset)
- [Step 6 - Lodge your claim \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-6---lodging-your-claim\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-6---lodging-your-claim)

## Step 1 – Check that you meet the initial eligibility requirements

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-1---Check-that-you-meet-the-initial-eligibility-requirements/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-1---Check-that-you-meet-the-initial-eligibility-requirements/>)
- Last modified: 26 Jun 2017
- QC 24602

There are four questions you must answer in order to work out if you meet the initial eligibility requirements and therefore qualify for an R&D tax incentive tax offset.

Before claiming the R&D tax offset you must ensure you can answer 'yes' to all of the following questions:

### **Question 1: Are you an eligible R&D entity?**

Only R&D entities ([eligible entities \(/business/research-and-development-tax-incentive/eligibility/eligible-entities\)](/business/research-and-development-tax-incentive/eligibility/eligible-entities)) can claim a research and development (R&D) tax offset.

### **Question 2: Have you carried out eligible activities?**

You can only claim an R&D tax offset if you have carried out [eligible R&D activities \(/business/research-and-development-tax-incentive/eligibility/eligible-activities\)](/business/research-and-development-tax-incentive/eligibility/eligible-activities) in an income year.

### **Question 3: Have you registered your activities?**

You must [register \(/business/research-and-development-tax-incentive/registering\)](/business/research-and-development-tax-incentive/registering) with the Department of Industry, Innovation and Science before you lodge your claim.

#### Question 4: Do your notional deductions qualify?

You need to work out whether your [eligible notional R&D deductions \(/business/research-and-development-tax-incentive/eligibility/eligible-notional-deductions\)](/business/research-and-development-tax-incentive/eligibility/eligible-notional-deductions) are more than or less than \$20,000.

If you can answer yes to all of these questions, then steps 2, 3 and 4 will help you work out which offset you can claim.

If you cannot answer yes to all of these questions, you cannot claim the R&D tax offset.

#### Next step:

- [Step 2 – Work out if you are controlled by any exempt entities \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-2---work-out-if-you-are-controlled-by-any-exempt-entities\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-2---work-out-if-you-are-controlled-by-any-exempt-entities)

## Step 2 – Work out if you are controlled by any exempt entities

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-2---Work-out-if-you-are-controlled-by-any-exempt-entities/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-2---Work-out-if-you-are-controlled-by-any-exempt-entities/>)
- Last modified: 25 Oct 2016
- QC 24603

Once you've worked out that you do meet the initial eligibility requirements, you will also need to work out if you are controlled by one or more exempt entities because this too will affect which tax offset you can claim.

An exempt entity is an entity whose ordinary and statutory income is exempt from income tax; or a Commonwealth entity that does not pay tax.

If you are controlled by one or more exempt entities, you cannot claim the 43.5% refundable offset but you can claim the 38.5% non-refundable tax offset instead. If this is the case, you don't need to take your aggregated turnover into account to work out which offset you can claim, and you can go to [Step 4 - Work out which tax offset you can claim \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim).

If you are not controlled by one or more exempt entities you may be entitled to claim the refundable 43.5% tax offset, if your aggregated turnover is less than \$20 million.

To work out if your company is controlled by one or more exempt entities, you will need to consider if one or more exempt entities, their affiliates or both have either:

- shares and other equity interests in your company that give them and/or their affiliates at least 50% of the voting power in your company
- the right to receive at least 50% of any income or capital your company distributes.

#### Next step:

- [Step 3 - Calculate your aggregated turnover \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-3---calculate-your-aggregated-turnover\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-3---calculate-your-aggregated-turnover)

## Step 3 – Calculate your aggregated turnover

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-3---Calculate-your-aggregated-turnover/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-3---Calculate-your-aggregated-turnover/>)

- Last modified: 01 Mar 2016
- QC 24604

If you aren't controlled by an exempt entity, you must work out your aggregated turnover to identify which tax offset you can claim.

The rules for calculating aggregated turnover are the same as those for the small business entity concessions.

Aggregated turnover is the sum of the following:

- your annual turnover for the income year
- the annual turnover of any entity connected with you, for that part of the income year that the entity is connected with you
- the annual turnover of any entity that is an affiliate of yours, for that part of the income year that the entity is affiliated with you.
- When you calculate aggregated turnover for an income year, do not include either:
- the annual turnover of other entities for any period of time that the entities are either not connected with you or are not your affiliate, or
- amounts resulting from any dealings between these entities for that part of the income year that the entity is connected or affiliated with you.

**Find out about:**

- [Annual turnover](#)
- [Connected entities](#)
- [Your affiliates](#)

## Annual turnover

Your annual turnover is the total ordinary income you derive in the income year in the ordinary course of carrying on a business. If you are not carrying on a business at any time during the income year, your annual turnover is nil.

If you are a partner in an R&D partnership at some time during an income year, then your *aggregated* turnover includes your proportion of the R&D partnership's *annual* turnover for that year.

Once you have calculated your annual turnover, you will need to calculate the annual turnover for each entity connected or affiliated with you.

## Connected entities

To work out your aggregated turnover for the income year you also need to determine if there are any entities 'connected with you'.

You are connected with another entity if either of the following applies:

- you control the other entity
- you and the other entity are controlled by the same third entity.

You control a company if you, your affiliates, or you together with your affiliates have:

- shares and other equity interests in the company that give you and/or your affiliates at least 40% of the voting power in the company, or
- the right to receive at least 40% of any income or capital the company distributes.

You control a partnership if you, your affiliates, or you together with your affiliates have the right to 40% or more of the partnership's net income or capital.

Different rules apply for a discretionary trust.

## Your affiliates

You need to determine if there are any entities that are affiliates of yours in order to work out your aggregated turnover.

An individual or company is your affiliate if, in relation to the affairs of their business, they act, or could reasonably be expected to act, in either of the following ways:

- in accordance with your directions or wishes
- in concert with you.

An individual or company is not your affiliate merely because of the nature of the business relationship you or the individual or company share.

**Next step:**

- [Step 4 - Work out which tax offset you can claim \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim/\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-4---work-out-which-tax-offset-you-can-claim/)

**See also:**

- [Research and development tax incentive - \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/\)](/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/) [Refundable and non-refundable tax offsets \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/\)](/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Refundable-and-non-refundable-tax-offsets/)
- [Am I eligible for the small business entity concessions? \(/business/small-business-entity-concessions/Eligibility/#H5\)](/business/small-business-entity-concessions/Eligibility/#H5)
- [What are the aggregation rules? \(/business/small-business-entity-concessions/eligibility/aggregation/\)](/business/small-business-entity-concessions/eligibility/aggregation/)
- [Research and development tax incentive - grouping for aggregated turnover purposes \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Grouping-for-aggregated-turnover-purposes/\)](/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Grouping-for-aggregated-turnover-purposes/)

## Step 4 – Work out which tax offset you can claim

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-4---Work-out-which-tax-offset-you-can-claim/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-4---Work-out-which-tax-offset-you-can-claim/>)
- Last modified: 25 Oct 2016
- QC 24605

The following table will help you work out which tax offset you can claim.

If...	Then...
Both of the following apply: <ul style="list-style-type: none"> <li>• you are not controlled by one or more exempt entities</li> <li>• your aggregated turnover is less than \$20 million</li> </ul>	You can claim the 43.5% refundable tax offset
One or more of the following apply: <ul style="list-style-type: none"> <li>• you are controlled by one or more exempt entities</li> <li>• your aggregated turnover is \$20 million or more</li> </ul>	You can claim the 38.5% non- refundable tax offset

The rate of the R&D tax offset is reduced to the company tax rate for that portion of an entity's eligible notional R&D deductions that exceed \$100 million for an income year (applicable to income years starting on or after 1 July 2014 and before 1 July 2024).

**Next step:**

- [Step 5 - Calculate your tax offset \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-5---calculate-your-tax-offset/\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-5---calculate-your-tax-offset/)

## Step 5 – Calculate your tax offset

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-5---Calculate-your-tax-offset/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-5---Calculate-your-tax-offset/>)
- Last modified: 25 Oct 2016
- QC 24606

Once you have worked out which offset you can claim, you can calculate the amount of your tax offset:

- to calculate your claim for the 43.5% refundable R&D tax offset, multiply the total of the notional deductions by 43.5%
- to calculate your claim for the 38.5% non-refundable R&D tax offset, multiply the total of the notional deductions by 38.5%.

Where your notional deductions exceed \$100 million for an income year, your claim for the R&D tax offset is equal to the sum of notional deductions for the first \$100 million multiplied by the rate determined above, and the notional deductions in excess of \$100 million multiplied by the company tax rate. (This applies to income years starting on or after 1 July 2014 and before 1 July 2024).

We've included three examples (below) to help you work out which calculation might apply to you.

### Example 1

Company X is an R&D entity entitled to notional deductions of \$1,500,000 for R&D expenditure. Company X's aggregated R&D turnover for the income year is \$16,000,000. Company X is not controlled by any exempt entities. Therefore, Company X is entitled to the 43.5% refundable R&D tax offset, which is calculated as follows:

$$43.5\% \times \$1,500,000 = \$652,500$$

### Example 2

Company Y is an R&D entity entitled to notional deductions of \$9,000,000 for R&D expenditure. Company Y's aggregated R&D turnover for the income year is \$40,000,000. Company Y's turnover is greater than \$20,000,000 so the company can claim the 38.5% non-refundable R&D tax offset, which is calculated as follows:

$$38.5\% \times \$9,000,000 = \$3,465,000$$

### Example 3

Company Z is an R&D entity entitled to notional deductions for monetary CRC contributions made, which total \$18,000 in the relevant income year. Company Z's aggregated R&D turnover for the income year is \$4,000,000. Company Z is not controlled by any exempt entities. The company can claim the 43.5% refundable R&D tax offset, which is calculated as follows:

$$43.5\% \times \$18,000 = \$7,830$$

### Example 4

Company XYZ is an R&D entity entitled to notional deductions of \$120,000,000 for R&D expenditure. Company XYZ's aggregated R&D turnover for the income year is \$400,000,000. Company XYZ's turnover is greater than \$20,000,000 so the company can claim the 38.5% non-refundable R&D tax offset on notional deductions up to \$100,000,000, and the balance of \$20,000,000 can be claimed at the company tax rate of 30%. This is calculated as follows:

38.5% x \$100,000,000 =	\$38,500,000
30% x \$ 20,000,000 =	\$ 6,000,000
Total R&D claim =	\$44,500,000

**Next step:**

- [Step 6 - Lodging your claim \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-6---lodging-your-claim\)](https://www.ato.gov.au/Business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/step-6---lodging-your-claim/)

## Step 6 – Lodging your claim

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-6---Lodging-your-claim/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Steps-to-claiming-the-tax-offset/Step-6---Lodging-your-claim/>)
- Last modified: 26 Jun 2017
- QC 24607

Once you have determined you can claim the R&D tax incentive tax offset, the final step is to lodge your claim for the income year. You claim the R&D tax incentive tax offset by completing a Research and development tax incentive schedule and the relevant labels of the company tax return and lodging them with us. The instructions will help you to complete the forms.

The R&D tax incentive calculator will help you complete the [R&D tax incentive schedule \(/Forms/Research-and-development-tax-incentive-schedule-2015/\)](https://www.ato.gov.au/Forms/Research-and-development-tax-incentive-schedule-2015/). You can print a PDF version of the R&D tax incentive schedule when you have finished your calculations. This schedule will be accepted for lodgement with your company tax return.

Make sure you have included your unique the Department of Industry, Innovation and Science registration number on your R&D tax incentive schedule before you lodge the form with your company tax return.

**See also:**

- [Research and development tax incentive schedule instructions 2015 \(/Forms/Research-and-development-tax-incentive-schedule-instructions-2015/\)](https://www.ato.gov.au/Forms/Research-and-development-tax-incentive-schedule-instructions-2015/)
- [Company tax return 2015 \(/Forms/Company-tax-return-2015/\)](https://www.ato.gov.au/Forms/Company-tax-return-2015/)
- [Company tax return instructions 2015 \(/Forms/Company-tax-return-instructions-2015/\)](https://www.ato.gov.au/Forms/Company-tax-return-instructions-2015/)

## Keeping records

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Keeping-records/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Keeping-records/>)
- Last modified: 26 Jun 2017
- QC 24608

### Business records

Your business records must be sufficient to verify the amount of the expenditure incurred on R&D activities, the nature of the R&D activities and the relationship of the expenditure to the activities.

You should keep documents to show how you apportioned expenditure between your eligible core R&D activities and supporting R&D activities as opposed to your other non-R&D activities. It is your responsibility to satisfy us that you use reasonable methods to differentiate between your expenditure on R&D activities and your expenditure on non-R&D activities.

### Specific R&D records

You will need to retain documents such as reports detailing the R&D activities you carried out, who conducted the R&D activities and the time your staff spent on the R&D activities.

Records must generally be kept for a minimum of five years. A penalty may be imposed if proper records are not kept.

You can find more information about keeping records to substantiate registered R&D activities, on [the Department of Industry, Innovation and Science website \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility).

**Find out about:**

- [Keeping records and calculating your notional deductions \(/Business/Research-and-development-tax-incentive/In-detail/Guides/Keeping-records-and-calculating-your-notional-deductions/\)](https://www.ato.gov.au/Business/Research-and-development-tax-incentive/In-detail/Guides/Keeping-records-and-calculating-your-notional-deductions/)

**See also:**

- [Manage your invoices, payments and records \(/business/managing-your-small-business-records/\)](https://www.ato.gov.au/Business/Managing-your-small-business-records/)

## Using a tax agent or R&D consultant

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Using-a-tax-agent-or-R-D-consultant/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Claiming-the-tax-offset/Using-a-tax-agent-or-R-D-consultant/>)
- Last modified: 01 Mar 2016
- QC 24609

If you are planning to pay someone to help you prepare and lodge your tax return or R&D tax incentive schedule, you need to make sure they are a registered tax agent.

Only a registered tax agent can charge a fee to prepare and lodge your tax return, or provide other services described as 'tax agent services'. They must be registered with the Tax Practitioners Board and must follow strict laws that ensure they act in a professional manner.

Tax agent services - if provided for a fee or reward - include advising and assisting you with tax concessions for expenditure incurred on research and development activities, where this involves the application of taxation laws.

Accordingly, an R&D consultant may be required to be registered with the Tax Practitioners Board (TPB).

If you are not sure if your tax agent is registered, you can ask to see their Certificate of Registration or you can visit the Tax Practitioners Board website [tpb.gov.au](http://www.tpb.gov.au) (<http://www.tpb.gov.au>) and search the tax agent register.

## Correcting mistakes and disputing decisions

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/>)
- Last modified: 26 Jun 2017
- QC 24610

Once you have lodged your registration or your claim for the R&D tax incentive, you may find that you need to vary your registration details with the Department of Industry, Innovation and Science, amend or vary your claim with us, or that you want to dispute the decisions either we, the Department of Industry, Innovation and Science or Innovation and Science Australia made.

If you need to correct or vary your tax return because you made a mistake or omitted to mention something you later realise you should have mentioned, you can amend your tax return (within certain time limits).

If you want to dispute the law as we have applied it to your case or if you are dissatisfied with the amount of R&D tax offset we have allowed, you can object to your assessment (within certain time limits).

For information about varying your registration details or disputing decisions made by the Department of Industry, Innovation and Science or Innovation and Science Australia, refer to the [R&D tax incentive information guide \(PDF, 847KB\)](https://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/RandDTaxIncentive-ConsolidatedCustomerInformationGuide.pdf) (<http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/RandDTaxIncentive-ConsolidatedCustomerInformationGuide.pdf>) on the [Department of Industry, Innovation and Science website \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility).

**Find out about:**

- [Amending your tax return \(/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions/amending-your-tax-return/\)](/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions/amending-your-tax-return/)
- [Objecting to our decisions \(/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions/objectioning-to-our-decisions/\)](/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions/objectioning-to-our-decisions/)

## Amending your tax return

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/Amending-your-tax-return/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/Amending-your-tax-return/>)
- Last modified: 26 Jun 2017
- QC 24611

'Amendment' is the term we use for a change made to an income tax assessment. If you want us to change your income tax assessment you need to request an amendment in writing.

Amendments are part of the self-assessment system. That is, just as we accept your tax return information at face value, in most cases we do the same with the information you provide on your request for an amendment.

**Time limits for making amendments**

There are time limits for making amendments to your tax return, generally two years for small businesses and four years for other taxpayers. To give you certainty about your tax affairs, in most circumstances the law does not allow amendments (initiated by us or by you) outside the time limit, but you may be able to lodge an objection instead.

Special rules vary these time frames for certain decisions the Department of Industry, Innovation and Science or Innovation and Science Australia makes in relation to the R&D tax incentive. These special rules allow us to amend outside of the standard timeframes in relation to:

- Innovation and Science Australia giving the Commissioner a finding, within certain timeframes, about registration, activities outside Australia, or core technology
- an internal review decision by the Department of Industry, Innovation and Science (on behalf of Innovation and Science Australia), by the Administrative Appeals Tribunal (AAT), or by a court on certain matters.

**How to amend your claim**

If you wish to amend your claim for the R&D tax incentive you will need to:

- complete and lodge an amended [R&D tax incentive schedule \(/Forms/Research-and-development-tax-incentive-schedule-2015/\)](/Forms/Research-and-development-tax-incentive-schedule-2015/) for the relevant year, showing the amended figures; and
- write us a letter to go with the amended schedule, requesting the amendment and specifying the labels on the company tax return that need amending.

You must then forward your amended R&D tax incentive schedule and the letter requesting the amendment to:

**Australian Taxation Office**  
**PO Box 3004**  
**PENRITH NSW 2740**

**See also:**

- [How to request an income tax amendment \(/General/Correct-a-mistake-or-amend-a-return/Correct-\(amend\)-an-income-tax-return/How-to-request-an-income-tax-amendment/\)](/General/Correct-a-mistake-or-amend-a-return/Correct-(amend)-an-income-tax-return/How-to-request-an-income-tax-amendment/)
- [How we process your amendment request \(/General/Correct-a-mistake-or-amend-a-return/Correct-\(amend\)-an-income-tax-return/How-we-process-your-amendment-request/\)](/General/Correct-a-mistake-or-amend-a-return/Correct-(amend)-an-income-tax-return/How-we-process-your-amendment-request/)

# Objecting to our decisions

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/Objecting-to-our-decisions/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/Objecting-to-our-decisions/>)
- Last modified: 25 Oct 2016
- QC 24612

The law gives you the right to object to some decisions we make about your tax affairs, including most tax assessments. If you are dissatisfied with the amount of R&D tax offset we have allowed you, you can object. You must lodge your objection in writing and within certain time frames. In some circumstances you can also lodge an appeal with the Administrative Appeals Tribunal (AAT) or Federal Court.

Time limits for lodging objections vary depending on whether you are objecting to an original income tax assessment, an amended income tax assessment, or a nil income tax assessment:

In most cases, the time limit is at least 60 days from when you receive the notice and, in the case of income tax assessments, it is two or four years after the lodgment date for the return (two years for small businesses, four years for all other taxpayers). If the final lodgment day falls on a non-business day, your objection can be lodged on the next business day.

## Time limits for objecting to original income tax assessments

For income tax assessments you have two or four years from the date the notice of assessment was given to you, depending on what type of taxpayer you are (two years for small businesses, four years for all other taxpayers).

## Time limits for objecting to amended income tax assessments

For amended income tax assessments you have until the later of:

- 60 days from the date the amended assessment was given to you, or
- four years from the date the original assessment was given to you (or two years for small businesses).

## Nil income tax assessments

A 'nil assessment' is an assessment ascertaining that there is

- no taxable income; or
- an amount of taxable income and no tax is payable.

Generally you cannot object against a 'nil assessment' unless you are seeking to increase your tax liability. However for the 2014 and subsequent income years, you are able to object against the total of your tax offset refunds for a year of income under the normal objection provisions. For the 2013 income year, there is a special rule allowing you to object to a nil income tax assessment if the objection relates to the 43.5% refundable R&D tax offset.

If you wish to dispute the amount of a non-refundable R&D tax offset to be carried forward (ie where you have a nil assessment), you have to wait until you have an assessment for the year in which any part of the non-refundable R&D tax offset carried forward is first applied.

## How to lodge an objection

Your objection must be lodged in writing. You can either use the form we provide or write a letter. Either way, your objection must be lodged within the time limit. You can fax your objection to us, post it, hand deliver it to a shopfront, or have your tax agent lodge it online. There is no fee for lodging an objection.

If you are dissatisfied with the outcome of your objection, you can seek an external review of the decision by lodging an appeal with the AAT or Federal Court.

## How to lodge an appeal

Tax laws specifically give you the right to go to the Administrative Appeals Tribunal (AAT) or the Federal Court of Australia for a review of some of our actions or decisions about your tax affairs. Generally you have to lodge an objection and be dissatisfied with the outcome before you can seek an external review. Certain time limits apply.

### See also:

- [How to object to a decision \(/General/Dispute-or-object-to-an-ATO-decision/Object-to-an-ATO-decision/How-to-object-to-a-decision/\)](/General/Dispute-or-object-to-an-ATO-decision/Object-to-an-ATO-decision/How-to-object-to-a-decision/)
- [How we process your objection \(/General/Dispute-or-object-to-an-ATO-decision/Object-to-an-ATO-decision/\)](/General/Dispute-or-object-to-an-ATO-decision/Object-to-an-ATO-decision/)
- [Seek an external review of our decisions \(/General/Dispute-or-object-to-an-ATO-decision/Seek-an-external-review-of-our-decisions/\)](/General/Dispute-or-object-to-an-ATO-decision/Seek-an-external-review-of-our-decisions/)

## Getting help

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Getting-help/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Getting-help/>)
- Last modified: 26 Jun 2017
- QC 24613

You can get help and advice about the R&D tax incentive from us, from Innovation and Science Australia and from the Department of Industry, Innovation and Science. The type of help and advice you receive will depend on your specific needs and circumstances and whether or not you want an answer in writing.

The ATO and Innovation and Science Australia (assisted by the Department of Industry, Innovation and Science) administer the R&D tax incentive jointly. The Department of Industry, Innovation and Science (on behalf of Innovation and Science Australia) manages the registration of your R&D activities and checks that they comply with the law. We determine whether or not the expenditure you are claiming for your R&D activities is eligible. You should seek help or advice from the agency that administers the aspect of the program that relates to your query.

Innovation and Science Australia and the Department of Industry, Innovation and Science offer public guidance and advance findings about the program so that R&D entities are better informed about their entitlements and obligations. Their findings set out how their decisions apply to you and your specific circumstances.

We offer different types of advice and guidance that give our view on how the laws we administer apply. These range from published guidance about how the law applies generally, to advice given to a taxpayer about how the law applies to their particular circumstances. They include:

- **private rulings**, which set out our opinion about the way a tax law applies to you in specific circumstances
- **public rulings**, which deal with priority issues that require clarifying and include Product rulings (which are intended to provide certainty to participants about an arrangement) and Class rulings (which are intended to minimise the need for a group of participants to individually seek private rulings in relation to the same scheme).

### See also:

- [ATO advice products \(rulings\) \(/general/ato-advice-and-guidance/ato-advice-products-\(rulings\)/\)](#)
- [Technical assistance \(/General/ATO-advice-and-guidance/Tailored-technical-assistance/\)](#)

## Helping you to get it right

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Helping-you-to-get-it-right/>  
(<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Helping-you-to-get-it-right/>)
- Last modified: 26 Jun 2017
- QC 24614

The ATO and the Department of Industry, Innovation and Science jointly administer the R&D tax incentive.

The Department of Industry, Innovation and Science administers registration and compliance of R&D activities. We are responsible for expenditure claimed in the tax return on eligible R&D activities.

The R&D tax incentive is a self-assessment programme, which means the responsibility for compliance rests with the taxpayer.

The ATO and the Department of Industry, Innovation and Science undertake complementary risk assessment and compliance work.

The Department of Industry, Innovation and Science's compliance work focuses on the eligibility of R&D activities while our compliance work focuses on the R&D tax offsets allowable in respect of those activities.

As a result of the risk assessment and compliance work of both ATO and the Department of Industry, Innovation and Science have identified a number of areas of concern.

Four industries have being identified with significant number of companies making claims that have issues. The industries are:

- agriculture

- building and construction
- mining
- software development.

The remaining areas of concern are not restricted to companies in particular industries:

- ordinary activities vs eligible R&D activities
- apportionment of overheads
- payments to associates
- record keeping
- R&D consultants
- fraud.

## Industry specific areas of concern

### Agriculture

The ATO and the Department of Industry, Innovation and Science have observed issues with R&D tax incentives claims made by companies in agricultural industries where:

- No R&D activities are being conducted.
- The activities form part (or all) the entity's ordinary business activities.
- The activities involve the application of established products and existing methodologies that a competent professional could have worked out the outcome without conducting an experiment.
- The activities address a commercial rather than a technical risk.
- The scale of R&D activities is disproportionate with the scale of any data collection, observation and evaluation.
- The method employed to apportion overhead expenses allocates an unreasonably large amount to R&D.
- It is uncertain whether the activities are being conducted by the company on its own behalf or for the entity carrying on the agricultural business.
- It is uncertain whether amounts billed to related parties are paid.

#### See also:

- [Incorrectly claiming the Wine Grapes Levy as R&D expenditure \(/business/research-and-development-tax-incentive/helping-you-to-get-it-right/incorrectly-claiming-the-wine-grapes-levy-as-r-d-expenditure\)](#)
- [TA 2015/3 \(/law/view/document?src=hs&pit=99991231235958&arc=false&start=1&pageSize=10&total=2&num=0&docid=TPA%2FTA20153%2FNAT%2FATO%2Fbasic-ta%202015%2F3\)](#) *Accessing the R&D tax incentive for ineligible broadacre farming activities*
- [TA 2017/4 \(/law/view/document?DocID=TPA/TA20174/NAT/ATO/00001&PiT=99991231235958\)](#) *Claiming the Research and Development tax incentive for agricultural activities*

### Building and construction

The ATO and the Department of Industry, Innovation and Science have observed issues with R&D tax incentive claims made by companies in the building and construction industries, including:

- Whole of project claims where the technical uncertainty is resolved by applying existing knowledge.
- R&D claims where activities involve untested or novel elements where in effect they relate to fulfil the building and construction contract.
- Expenditure that is subject to the building exclusion.
- R&D consultants advising clients they are eligible to make a R&D claim as their activity is unique.

#### See also:

- [TA 2017/2 \(/law/view/document?DocID=TPA/TA20172/NAT/ATO/00001&PiT=99991231235958\)](#) *Claiming the Research and Development tax incentive for construction activities*

### Mining

The ATO and the Department of Industry, Innovation and Science have observed issues with R&D tax incentive claims made by mining companies where:

- The scope of the R&D activities in the context of extracting minerals is not clearly identified and why it is R&D, where activities in R&D projects are too broad there is an increased risk of over-claim of costs.
- Activities relating to modelling of mines are not R&D unless it is associated with a physical experiment. A feasibility study does not necessarily mean that R&D has or will occur.
- Claimants need to explain the technical challenges and how they overcome them using simple terminology.

- Exploration activities are specifically excluded from being a core R&D activity.

## Software development

The ATO and the Department of Industry, Innovation and Science have observed issues with R&D tax incentives claims by companies in the information technology and software development industries where:

- R&D claims made on whole of project basis not considering each of the activities and applying the relevant legislation to determine which activities are R&D activities.
- The software experiments are not clearly articulated in the R&D registration forms.
- Technical uncertainties are not clearly identified.
- Expenditure is incurred in acquiring, or acquiring the right to use, technology that cannot be claimed as a notional deduction.
- Expenditure is being apportioned between R&D activities and ineligible activities in an unreasonable manner.

### See also:

- [TA 2017/5 \(/law/view/document?DocID=TPA/TA20175/NAT/ATO/00001&PiT=99991231235958\)](#) *Claiming the Research and Development tax incentive for software development activities*

## Ordinary business activities vs eligible R&D activities

ATO and the Department of Industry, Innovation and Science have observed issues to R&D tax incentive claims that include expenditure relating to ordinary business activities and are not eligible R&D activities where:

- No R&D activities have been undertaken.
- The registered activities include a mixture of eligible R&D activities and ineligible ordinary business activities.
- The R&D activities being carried out have transitioned into ordinary business activities.
- The R&D activities are not concerned with the generation of new knowledge.
- The R&D activities do not involve the application of the scientific method (proving or disproving a hypothesis through experiments).
- The R&D activities address commercial being rather than technical risks.

### See also:

- [TA 2017/3 \(/law/view/document?DocID=TPA/TA20173/NAT/ATO/00001&PiT=99991231235958\)](#) *Claiming the Research and Development tax incentive for the ordinary business activities*

## Apportionment of overheads

Apportionment methodologies may be used in some instances, but the company can only claim notional deductions under the R&D tax incentive to the extent that the expenditure has been incurred on eligible R&D activities. For example, it may be appropriate to use R&D salary over total staff to apportion personnel costs but not for utilities.

It commonly observed that the appointment methodologies used by claimants can result in an unreasonable apportionment of overhead expenses to R&D activities over non-R&D activities.

The company must use a reasonable basis of apportionment which must reflect the extent to which the expenditure has been incurred on R&D activities where:

- There is no single apportionment method that can be used to apportion expenditure between R&D and ordinary business activities on a fair and reasonable basis.
- The appropriate methodology to apportion an expense depends on the nature of the expense.
- The company should document the methodology adopted and the rationale for that methodology.

## Payment to associates

The ATO has observed R&D tax incentive claims that include notional deductions claimed in relation to expenditure incurred to associates where the amount has not be paid. Notional deductions can only be claimed in relation to expenditure incurred to associates of the company where the amount has also been paid.

### See also:

- [Expenditure incurred to an associate \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Expenditure-incurred-to-an-associate/\)](#)

## Record keeping

It is a requirement that companies maintain contemporaneous records to support their R&D claims. This view is supported by AAT Cases (Tier Toys and Ozone Manufacturing) where contemporaneous records were not maintained so the taxpayer could not demonstrate that the expenditure was anything more than normal business expenses.

The taxpayer's business records must be sufficient to verify the amount of the expenditure incurred on R&D activities, the nature of the R&D activities and the relationship of the expenditure to the activities.

Self-assessment requires evidence that substantiates that each and every part of the legislative requirements are met. A taxpayer cannot succeed in establishing those requirements in the absence of detailed documentation recording the process of each activity as it develops.

The taxpayer has the responsibility to ensure that reasonable methods have been used to differentiate between expenditure on eligible R&D activities and other activities.

Documents created after the fact will generally not be adequate on their own without some contemporaneous records (that is, records of activities at the time they were conducted).

#### See also:

- [Compliance readiness: The importance of record-keeping \(PDF, 471KB\)](https://www.business.gov.au/~media/Business/RDTI/Research-and-development-tax-incentive-compliance-readiness-record-keeping-PDF.ashx?la=en)  
(<https://www.business.gov.au/~media/Business/RDTI/Research-and-development-tax-incentive-compliance-readiness-record-keeping-PDF.ashx?la=en>)
- [Key governance steps and processes \(/Business/Private-owned-and-wealthy-groups/Tax-governance/Corporate-governance-and-tax-governance/Key-governance-steps-and-processes/\)](/Business/Private-owned-and-wealthy-groups/Tax-governance/Corporate-governance-and-tax-governance/Key-governance-steps-and-processes/)
- [Keeping records \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/keeping-records\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/keeping-records)

#### R&D consultants

Tax agents and R&D consultants have an important role to play as intermediaries in providing advice to taxpayer in relation to the R&D tax incentive. However, we have concerns how the R&D tax incentive is being advised to taxpayers.

The ATO and the Department of Industry, Innovation and Science have concerns with some of the practices of tax agents and consultants, including:

- 'Cold calling' of taxpayers and advising them that their business activities are eligible R&D activities.
- The use of late registrations to amend claims to access the R&D refundable offset to provide funding for companies in financial difficulties.
- The charging of excessive commissions which are a large percentage of the refundable R&D tax offset.
- A registered activity that relates to the 'whole of the project' rather than a specific activity.
- Registered tax agents, including R&D consultants, advising companies to make incorrect R&D tax incentive claims – these may be referred to the Tax Practitioners Board to consider whether there has been a breach of the *Tax Agent Services Act 2009*.
- Promoter penalty laws may also apply under Division 290 of Schedule 1 to the *Taxation Administration Act 1953* for promoters of schemes to access the R&D tax incentive for ineligible activities.

#### Fraud

While most taxpayers and advisors generally 'do the right thing' the ATO and the Department of Industry, Innovation and Science are working closely to identify taxpayers and advisors that may be involved in aggressive R&D arrangements. We are taking a coordinated approach to address these behaviours to ensure the integrity of the R&D tax incentive programme.

These arrangements:

- are inconsistent with the requirements of the R&D regime
- may have feature of tax avoidance
- may be fraudulent.

#### See also:

- [Research and development \(R&D\) tax incentive - the Department of Industry, Innovation and Science](https://www.business.gov.au/assistance/research-and-development-tax-incentive/self-assessing-your-rnd-activities)  
(<https://www.business.gov.au/assistance/research-and-development-tax-incentive/self-assessing-your-rnd-activities>)
- [Help to self-assess my eligibility and register my activities \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/self-assessing-your-rnd-activities\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/self-assessing-your-rnd-activities) for further information in relation to the Department of Industry, Innovation and Science compliance work

# Incorrectly claiming the Wine Grapes Levy as R&D expenditure

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Helping-you-to-get-it-right/Incorrectly-claiming-the-Wine-Grapes-Levy-as-R-D-expenditure/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Helping-you-to-get-it-right/Incorrectly-claiming-the-Wine-Grapes-Levy-as-R-D-expenditure/>)
- Last modified: 26 Jun 2017
- QC 51889

The ATO and the Department of Industry, Innovation and Science are warning about a scheme where some promoters, including those operating under reputable brand names, are advocating that companies who pay the compulsory Wine Grapes Levy (the levy), can register the activity with the Department of Industry, Innovation and Science or simply claim the levy, as all or part of a notional deduction in calculating their entitlement to an R&D tax offset.

The levy is paid by wine producers to the Department of Agriculture and Water Resources and is calculated based on the total number of tonnes of grapes used by the wine producer in a year.

The levy is applied to fund the marketing and research and development programs undertaken by the Australian Grape and Wine Authority ('Wine Australia'). Wine Australia is not a registered Research Service Provider (RSP) nor a Cooperative Research Centre under the R&D tax incentive program.

## What are our concerns?

The ATO and Department of Industry, Innovation and Science are concerned that some wine producers have been misled into thinking they are able to include the levy as eligible R&D expenditure which has been incurred on registered R&D activities.

The levy can usually be claimed by a wine producer as an ordinary business deduction against the wine producer's assessable income. However, the way R&D commissioned by Wine Australia is conducted, means that the levy cannot be claimed in calculating a refundable or non-refundable R&D tax offset for the wine producer.

Levies paid to industry organisations can only be claimed in calculating an R&D tax offset if the industry organisation is a Levy Collecting RSP. Wine Australia is not a Levy Collecting RSP.

Generally, eligible R&D expenditure can only be claimed on R&D activities which are registered by the claimant with the Department of Industry, Innovation and Science. If the R&D activity is carried on for the claimant by a third party, the claimant needs also to be able to show that:

- it has effective ownership of the know-how, intellectual property, or other results arising from the R&D expenditure
- it has appropriate control over the conduct of the R&D activities
- it bears the financial burden of carrying out the R&D activities
- the R&D activity is not carried out to a significant extent for another entity, or entities.

It follows that although a company which produces wine may have registered R&D activities with the Department of Industry, Innovation and Science, the company's expenditure on the levy bears no connection with the R&D activities it carries on.

In addition, the funds provided through the levy are used by Wine Australia to invest in R&D activities undertaken by research bodies based on the R&D provider's own project proposals and are conducted at the direction of Wine Australia. The know-how and intellectual property arising from the R&D activities is retained by the entities investing in the R&D, and as is the case with the financial risk, the results are broadly shared.

Finally, the R&D activities commissioned by Wine Australia are carried on for the benefit of the broader grape and wine industry, not just for individual companies that pay the levy.

We also note that many of the activities carried on by Wine Australia which are funded by levies, such as marketing and promotion, are expressly excluded from the definition of R&D activities and therefore related expenditure cannot be included in an R&D tax offset claim.

## What should you do?

You should consider whether our concerns are applicable to your circumstances.

The ATO is committed to maintaining the integrity of the R&D program. We deal firmly with dishonest promoters whilst providing fair outcomes for taxpayers who have inadvertently entered into an R&D scheme or relied on advice they obtained in good faith.

If you consider that our concerns are applicable to your circumstances, you may want to:

- phone us at the contact details provided below

- seek independent professional advice
- ask the ATO for a [private ruling \(/General/ATO-advice-and-guidance/ATO-advice-products-%28rulings%29/Private-rulings/\)](#), or in the case of verifying that your R&D activities are eligible, apply for a Finding from the Department of Industry, Innovation and Science
- apply to the Department of Industry, Innovation and Science to amend or withdraw your registration or make a [voluntary disclosure \(/General/Correct-a-mistake-or-amend-a-return/Make-a-voluntary-disclosure/\)](#) to the ATO or amend your tax return.

Penalties can apply if you have incorrectly claimed the R&D tax incentive but will be significantly reduced if you make a voluntary disclosure. Generally, the reduction in penalties is greater if you make a voluntary disclosure before we notify you of an examination of your tax affairs.

Registered tax agents, including R&D consultants, who advise or encourage companies to make incorrect R&D claims may be referred to the Tax Practitioners Board to consider whether they have breached the *Tax Agent Services Act 2009*. Promoter penalty laws may also apply to the promoters of schemes designed to inappropriately access the R&D tax incentive.

To provide information about this or another arrangement, or a promoter of this or another arrangement, please either phone Brett Challans on **08 7422 2382** or Jim Robinson on **08 7422 2662**, or email us at [InnovationTax@ato.gov.au](mailto:InnovationTax@ato.gov.au) (<mailto:InnovationTax@ato.gov.au>)

#### See also:

- [Research and development \(R&D\) tax incentive \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/eligibility) at the Department of Industry, Innovation and Science

## Contact us

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Contact-us/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Contact-us/>)
- Last modified: 26 Jun 2017
- QC 24615

If you need more information about whether your activities are eligible, you can ask the Department of Industry, Innovation and Science (who act on behalf of Innovation and Science Australia) for advice by:

- phoning the Department of Industry, Innovation and Science Hotline on **13 28 46**
- emailing them or using Web Chat via their [Contact us \(https://www.business.gov.au/contact-us\)](https://www.business.gov.au/contact-us) page.

If you need more information about whether the expenditure you are claiming is eligible for the research and development (R&D) tax incentive, you can contact us via the phone numbers listed on our [Phone us \(/About-ATO/About-us/Contact-us/Phone-us/\)](#) page.

## Checklist for claiming the R&D tax incentive

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- <https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Checklist-for-claiming-the-R-D-Tax-Incentive/> (<https://www.ato.gov.au/Business/Research-and-development-tax-incentive/Checklist-for-claiming-the-R-D-Tax-Incentive/>)
- Last modified: 26 Jun 2017
- QC 48622

## Self-assess the eligibility of your company

The R&D tax incentive provides targeted tax offsets designed to encourage more companies to engage in R&D activities.

To take advantage of the R&D tax offsets you need to be an R&D entity. An R&D entity is either a corporation that is incorporated under an Australian law or, in some circumstances, a foreign corporation.

Please check the Department of Industry, Innovation and Science or the [ATO website \(/Business/Research-and-development-tax-incentive/Eligibility/Eligible-entities/?anchor=P97\\_6787#P97\\_6787\)](#) to self-assess the eligibility of your company, **or** contact the Department of Industry, Innovation and Science (<https://www.business.gov.au/contact-us>) or the ATO ([/business/research-and-](#)

[development-tax-incentive/contact-us](#)) to confirm whether you are an R&D entity.

The Department of Industry, Innovation and Science's [Program snapshot](#) (<http://www.randdsnapshot.business.gov.au/Pages/default.aspx>) and [R&D tax incentive customer information guide](#) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme>) provide an overview of the R&D tax incentive program, including information on R&D tax incentive topics such as eligibility, self-assessment, how to register and some helpful advice on keeping good records.

#### See also:

- [R&D tax incentive guide to interpretation](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#understanding-the-r-and-d-activity-definitions) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#understanding-the-r-and-d-activity-definitions>)

## Self-assess the eligibility of the R&D activities

Your research and development activities must meet certain criteria to be eligible for the R&D tax incentive. They must be classified as either 'core R&D' activities or 'supporting R&D' activities. Broadly, core R&D activities are experimental activities that both:

- are based on principles of established science
- proceed from hypothesis to experiment, observation and evaluation, and lead to logical conclusions.

Importantly, core R&D activities must be conducted for the purpose of generating new knowledge (including the creation of improved materials, products, devices, processes or services).

A supporting activity is one that is directly related to core R&D activities or, for certain activities, has been undertaken for the dominant purpose of supporting core R&D activities.

You can learn more about the different types of [eligible R&D activities](#) here (</Business/Research-and-development-tax-incentive/Eligibility/Eligible-activities/?anchor=core#core>).

If you are unsure about the eligibility of your R&D activities, there are different types of Findings you can apply for through Innovation Australia.

Findings provide practical certainty to program participants and allow the regulators to determine the eligibility of activities. Findings are an important aspect of the program's [Integrity assurance framework](#) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#findings>).

#### See also:

- [Compliance readiness – a guide to risk reviews and findings](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping>)
- [Application notes](http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Apply/Documents/ApplicationNotesAdvanceOverseasFindingForm.pdf) (<http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Apply/Documents/ApplicationNotesAdvanceOverseasFindingForm.pdf>)

## Keep accurate records to substantiate and demonstrate the eligibility of the activities and associated expenditure

To help you with your record-keeping requirements under the R&D tax incentive, the ATO, together with the Department of Industry, Innovation and Science, have developed an [R&D tax incentive – record keeping and R&D planning](#) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#fact-sheets>) fact sheet that provides information about what records you should keep, and for how long, to support your R&D claim.

Maintenance of good records will help companies comply and receive the maximum benefit from the R&D tax incentive, and will also minimise the costs that may be associated with a compliance review, risk review or finding.

#### See also:

- [Importance of record keeping](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping>)
- [Compliance readiness – the Importance of record keeping and the preparation of registrations and applications](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping) (<https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#record-keeping>)

## Apply for registration

Where you have self-assessed you have undertaken eligible R&D activity and wish to claim the R&D incentive, you must register your R&D activities with the Department of Industry, Innovation and Science and receive your unique registration number:

- for every income year you want to claim the offset
- within 10 months of the end of your company's income year
- prior to claiming the R&D tax offset in your company income tax return.

To register, use the [Registration smart form \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#application-notes\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#application-notes) , which can be found and lodged via [business.gov.au \(http://business.gov.au/\)](http://business.gov.au) at any time on or before the due date.

There is also a [Sample application form \(http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Apply/Pages/RDTaxIncentive-SampleRegistrationForm.aspx\)](http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Apply/Pages/RDTaxIncentive-SampleRegistrationForm.aspx) which provides a practical example of the type and detail of response the Department of Industry, Innovation and Science is looking for to assess your application.

Registration of activities by the Department of Industry, Innovation and Science is not a verification of eligibility or an approval of the payment of a tax offset.

The Department of Industry, Innovation and Science and the ATO share information and work closely to ensure the integrity of the R&D tax incentive, please make sure you provide accurate and consistent details of the activities and expenses to the Department of Industry, Innovation and Science in your registration, and the ATO in your R&D schedules.

Should you require further assistance in completing this form, please contact the Department of Industry, Innovation and Science through [business.gov.au \(https://www.business.gov.au/\)](https://www.business.gov.au) or phone **13 28 46**.

#### See also:

- [R&D tax Incentive – registration information sheet \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#findings\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#findings)

## Make adjustments if necessary

You may need to make adjustments to your income tax return if:

- you have received a government recoupment
- your R&D activities have produced either marketable products or products that have been applied to your own use
- you are registered for GST.

#### See also:

- [Clawback adjustment guide \(/Business/Research-and-development-tax-incentive/In-detail/Guides/Clawback-adjustment-guide/\)](/Business/Research-and-development-tax-incentive/In-detail/Guides/Clawback-adjustment-guide/)
- [Feedstock adjustments \(/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Feedstock-adjustments/\)](/Business/Research-and-development-tax-incentive/In-detail/Fact-sheets/Feedstock-adjustments/)
- [TR 2013/3 \(/law/view/document?docid=%22TXR%2FTR201333%2FNAT%2FATO%2F00001%22\)](/law/view/document?docid=%22TXR%2FTR201333%2FNAT%2FATO%2F00001%22) *Income tax: research and development tax offsets: feedstock adjustments*

## Lodge your claim for the income year

- After registration with the Department of Industry, Innovation and Science, you claim the R&D tax incentive tax offset by completing a [R&D tax incentive schedule \(/Forms/Research-and-development-tax-incentive-schedule-instructions-2015/\)](/Forms/Research-and-development-tax-incentive-schedule-instructions-2015/) and relevant labels of the company tax return and lodging them with the ATO. The [R&D tax incentive calculator \(/Calculators-and-tools/Research-and-development-tax-incentive-calculator/\)](/Calculators-and-tools/Research-and-development-tax-incentive-calculator/) will help you to calculate your entitlement.
- Making incorrect claims may result in penalties. Ensure you only include expenditure in an R&D claim that is actually incurred on R&D activities, not other ordinary business activities. It is important the information you supply to both the Department of Industry, Innovation and Science and the ATO is accurate, consistent and supported by evidence and records. Significant discrepancies in the information provided to the Department of Industry, Innovation and Science and to the ATO will increase the likelihood of your company's claim being reviewed.
- The [Integrity assurance framework \(http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/IntegrityAssurance.pdf\)](http://www.business.gov.au/grants-and-assistance/innovation-rd/RD-TaxIncentive/Program-Information/Documents/IntegrityAssurance.pdf) provides a holistic approach to maintain program integrity and effectively manage the compliance risks.

Check [Steps to claiming the tax offset \(/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/\)](/business/research-and-development-tax-incentive/claiming-the-tax-offset/steps-to-claiming-the-tax-offset/) for details to calculate and lodge the R&D claim.

## Correcting mistakes and challenging decisions

Once you have lodged your registration, or your claim for the R&D tax incentive, you may find you need to:

- [vary your registration \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme)

- [amend your tax return \(/business/research-and-development-tax-incentive/correcting-mistakes-and-disputing-decisions/amending-your-tax-return\)](#)
  - if you have entered into any type of aggressive R&D arrangement, or have otherwise claimed the R&D tax incentive in relation to your normal business activities, you may want to seek independent professional advice, make a [voluntary disclosure \(/General/Correct-a-mistake-or-amend-a-return/Make-a-voluntary-disclosure/\)](#) to the ATO or [amend \(/general/correct-a-mistake-or-amend-a-return/\)](#) your tax return
  - if the Department of Industry, Innovation and Science makes a finding on your registration or the ATO conducts a review on your R&D claim, and it is determined that all or part of your R&D activities are not eligible, then your tax return will be amended and penalties and interest charges may be applied.
- [object to decisions \(/Business/Research-and-development-tax-incentive/Correcting-mistakes-and-disputing-decisions/Objecting-to-our-decisions/?anchor=P660\\_44015#P660\\_44015\)](#) made by the ATO or the Department of Industry, Innovation and Science

If you want to dispute the law as we have applied it to your case, or if you are dissatisfied with the amount of R&D tax offset we have allowed, you can object to the assessment (within certain time limits). When the ATO or the Department of Industry, Innovation and Science makes a decision on your registration or claim, we will tell you how you may request a review if you are dissatisfied with the decision.

## Using a tax agent or R&D consultant

- If you are going to pay someone to help you with your tax return or R&D tax incentive schedule, you should first make sure they are a registered tax agent
  - ask to see their Certificate of Registration, or visit the [Tax Practitioners Board website \(http://www.tpb.gov.au\)](http://www.tpb.gov.au) and search the tax agent register.
- Although they are usually helpful, using the services of an R&D tax adviser to assist with the preparation of a registration application and offset claim **does not** guarantee your claim will meet the eligibility criteria.
- Penalties may apply to participants and promoters of aggressive R&D arrangements. Registered tax agents involved in the promotion of any type of aggressive R&D arrangement may be referred to the Tax Practitioners Board to consider whether there has been a breach of the Tax Agent Services Act 2009.

## Red flags of risky behaviour

It is important users and regulators of the R&D tax incentive work together to ensure the R&D tax incentive is benefiting the right people.

As a claimant:

- If you have not sought/received independent advice about your R&D claim, please discuss with your existing tax agent. Ask your agent to check
  - your claim against the Department of Industry, Innovation and Science's eligibility guidelines
  - the quantum of the claim by reference to the expenditure you have actually incurred on your registered R&D activities
  - that you have kept adequate records.
- Be wary if you are approached by a new tax agent, or R&D consultant, proposing a potential R&D claim that seems too good to be true, for example
  - they can triple your claim
  - they know how to get ordinary business expenses into an R&D claim
  - as a general proposition they contend that all of the cost of developing your new products qualify as R&D.

Discuss any R&D claim with your existing tax agent, and report behaviours that concern you to the Department of Industry, Innovation and Science or the ATO.

To provide information about an R&D or another arrangement or a promoter of an R&D or another arrangement:

- phone us on **1800 177 006** (after the initial messages, wait for the 'Taxpayer Alert' option then press 1)
- email us at [reportataxscheme@ato.gov.au](mailto:reportataxscheme@ato.gov.au) (<mailto:reportataxscheme@ato.gov.au>)

## Useful tools and documents for your claim

- [Overview of the R&D tax incentive \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme)
- [Customer information guide \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#general-guidance-for-the-programme)
- [R&D tax incentive guide to interpretation \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#understanding-the-r-and-d-activity-definitions\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#understanding-the-r-and-d-activity-definitions)
- [For accountants fact sheet \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#online-training-course\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#online-training-course)

- [Integrity assurance framework \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#findings\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information/resources-library#findings)

**See also:**

- [Guidance and information library \(https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information\)](https://www.business.gov.au/assistance/research-and-development-tax-incentive/guidance-and-information)

## Contact us

If you need more information about whether your activities are eligible, you can ask the Department of Industry, Innovation and Science (who act on behalf of Innovation Australia) for advice by:

- phoning the Department of Industry, Innovation and Science contact centre on **13 28 46**
- **visiting** [business.gov.au](https://www.business.gov.au) (<https://www.business.gov.au/>)

If you need more information about whether the expenditure you are claiming is eligible for the R&D tax incentive, you can:

- refer to [Research and development tax incentive – home \(/Business/Research-and-development-tax-concession/\)](/Business/Research-and-development-tax-concession/)
- phone the ATO between 8am and 6pm Monday to Friday on
  - **13 28 66** (for business)
  - **13 72 86** (for tax agents)
  - **13 14 50** (for Translating and Interpreting Service).

### Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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